

*Revised*

# Budget for One Minnesota

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**Spending Reductions: \$131 million**

Cuts to original budget: \$98 million

Bill Area	Change
Agriculture	(\$1.3 million)
State Government and Veterans	(\$18.4 million)
Jobs, Economic Development, Housing, and Commerce	(\$5.8 million)
Environment	(\$5.9 million)
Public Safety and Judiciary	(\$13 million)
E-12 Education	(\$15 million)
Higher Education	(\$17.9 million)
Health and Human Services	(\$11.4 million)
Transportation	(\$9.1 million)

**Increased federal funding for Substance Use Disorder treatment: \$16 million**

**Directs expenditures to other funding sources: \$17.7 million**

- Uses the Workforce Development Fund (instead of General Fund) to make \$12.45 million in grants to promote equity and close the opportunity gap.
- Reinstates an assessment on the utility grid to fund a \$1 million increase to the State Energy Office at the Department of Commerce.
- \$4.2 million from the Health Care Access Fund as part of a proposal to revise pharmacy payment methodology to more accurately reflect costs.

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## Tax Bill Adjustments: \$65 million

### IRS Section 179 expensing provision change: \$49 million

- Conform with the IRS Section 179 expensing provision but include the 80% addback for 2018 only.
- Conform with federal law, allowing small businesses the new higher deduction limit of \$1 million for equipment.

### Corporate Tax Changes: \$16 million

These tax changes bring fairness across businesses by closing loopholes in current law that provide preferential treatment and restricting transactions that have no business purpose and are only designed to avoid tax.

- Exclude Derivatives From Income Apportionment Computation: Companies would no longer be able to use complex financial instruments (derivatives) to lower their income tax liability.
- Removes the Deduction of Dividends for Debt-Financed Stock: Corporations would no longer be able to deduct both dividends received AND interest paid on debt-financed stock.
- Prevents Tax Evasion: Restricts and penalizes transactions or organizational structures that avoid tax and do not serve a business purpose.
- Treats Mutual Fund Manager Income Fairly: Ensures mutual fund managers do not receive better treatment under the state tax code based on how they are organized.

### New Sales Tax Exemption for Local Governments and Nonprofits

- Modifies the new sales tax exemption for local governments and nonprofits by limiting it to fiscal years 2020-21.

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## Unspent Reinsurance Funds: \$142 million

### Minnesota Reinsurance Program Funding

In 2017, when the reinsurance program was created, there was uncertainty around costs and size of the individual market, and whether we would receive federal funding. So, legislators appropriated \$142 million from the General Fund in addition to an appropriation from the Health Care Access Fund. In the end, the money from the General Fund was not necessary. In our revised budget, we return \$142 million in unspent reinsurance funds to the General Fund.

### Governor Walz Premium Subsidy Proposal

- 20% premium subsidy, instead of extending reinsurance
- The subsidy allows Minnesotans purchasing on the individual market to receive a direct premium discount
- Governor's proposal preserves crucial federal funding for MinnesotaCare that is lost through reinsurance

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## New Investments: \$37 million

Bill Area	Change
<i>State Government and Veterans</i> Increases to African Heritage Council: \$0.3 million	\$0.3 million
<i>Jobs, Economic Development, Housing, and Commerce</i> Increases to Public Employee Relations Board and Public Utility Commission: \$1.5 million	\$1.5 million
<i>Higher Education</i> Increase of \$11.9 million to University of Minnesota, \$51 million total Increase of \$13.2 million to Minnesota State, \$65 million total	\$25.1 million
<i>Health and Human Services</i> Increase to Tribal Child Welfare Initiative: \$6.4 million Strengthen oversight of Child Care Assistance Programs: \$2.1 million Increase to other: \$0.4 million	\$8.9 million
<i>Transportation-Public Safety</i> Increase to MNLARS funding: \$1.1 million	\$1.1 million



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## Priorities Remain Unchanged

### Education Investments

- Historic Increases in E-12 Education
- 3% increase in FY 2020 and 2% increase in FY 2021 on the Basic Education Formula
- Special Education Cross Subsidy Remains Steady
- Pre-Kindergarten Investments

### Healthcare Investments

- Provider Tax Continuation
- Health Care Premium Subsidy
- Health Care Premium Tax Credit
- Building to OneCare in FY 2022-23

### Community Prosperity Investments

- Local Government Aid Increases
- County Program Aid Increases
- Broadband Investment
- Investments in Housing that is Affordable
- New Dedicated Transportation Funds Supported by Increases to the Gas Tax, Vehicle Registration Fee, Motor Vehicle Sales Tax, and Metro Sales Tax

### Capital Investments

\$1.27 billion for a Fiscally Responsible Bonding Package